

vote in every election that he may desire to participate in.

On August 6, 1965, President Lyndon Johnson signed the landmark legislation—the Voting Rights Act—that opened the doors of democracy to all Americans.

In our country's history, yes, we have stumbled. But yet at each stumble, leaders such as Dr. Martin Luther King, Rosa Parks, and Cesar Chavez, and many others, have encouraged us to get up, to stand up, to move America forward.

We, like them, believe America truly is an America in progress. Today, thanks in large measure to their work, we are at the dawn of a new America, an era in which doors of democracy and opportunity are open to all Americans.

We are waiting today for the inauguration of the first African-American President in the history of the United States. That in itself is history. But what is also historic about this reality is that as President he will be President for all 325 million people of America.

In his election, I think you see the statement that is truly the American ideal: that no matter who you are, no matter where you are from, anything is possible in this America of ours. That is what makes us a great nation. That is what we have seen as an America in progress which has brought us to this point in our Nation's history.

We have much work to do ahead. But I am very confident that America's best days are still ahead, as we continue to be the beacon of hope and opportunity and human possibilities for the entire globe.

Mr. President, I thank you and yield the floor.

The PRESIDING OFFICER. The Senator from Maine is recognized.

THANKING THE PEOPLE OF MAINE

Ms. COLLINS. Mr. President, since this is the first time I have spoken on the Senate floor since the elections have been completed, let me say I am very honored the people of Maine have chosen me to represent them in the Senate for another 6 years. It is a great honor and privilege to represent the great State of Maine, and I want to begin my remarks this afternoon by acknowledging that.

FINANCIAL REGULATION REFORM ACT OF 2008

Ms. COLLINS. Mr. President, throughout the past few months, I have had the opportunity to talk to literally thousands of Mainers, and the No. 1 issue that has been on their mind is the financial crisis, the poor state of the economy.

Public confidence in our Nation's financial system has been shaken badly by the extent, the scope, and the rapidity of the financial meltdown. As a former financial regulator in the State of Maine, a position I held for 5 years,

I have become convinced that significant regulatory reforms are required to restore public confidence and to ensure that the absence of regulation does not allow a crisis like the one we are engaged in now to happen ever again.

Therefore, today I will introduce a bill that would close two dangerous gaps in the Government's system for overseeing financial markets. The bill would also establish a formal process for developing additional, comprehensive reforms of our financial regulatory system.

Our economy has struggled with a credit crisis spawned by mortgage defaults in the subprime mortgage market and their ripple effects throughout markets for mortgage-backed securities. Complex financial instruments that were poorly understood, not transparent, and, in many cases, not regulated have exacerbated the crisis.

What was once thought of as America's mortgage crisis has metastasized into a nightmare of converging forces that could lead to a deep and global recession. As we have so painfully learned, financial markets are truly global, and the hopes and fears that affect these markets move with the speed of light through electronic communications and electronic trading.

The consequences in our country have been dire: falling home prices, rising foreclosure rates, plunging consumer sales, increased unemployment, a tremendous erosion of retirement savings, and billions of dollars for emergency stabilization programs. We are even looking at a Federal deficit that could reach the extraordinary figure of \$1 trillion.

The Maine lobster industry, the paradigm of hardy, small town entrepreneurship, has also felt the blows of the crisis in high finance and a terrible economy. It is not only that consumers have reacted by reducing their purchases of lobsters—although that is one factor—it is also that the lobster industry is an innocent victim of the global financial crisis.

It is extraordinary that the global financial crisis is putting the very existence of Maine's centuries-old lobster industry in jeopardy.

Here is what happened. In addition to plunging demand, many lobstermen in Maine send their lobsters to Canadian processors. Well, it turns out that those Canadian processors are, in turn, financed largely by financial institutions in Iceland—in Iceland.

When the Iceland financial system collapsed, credit was terminated to the Canadian processors, which, in turn, stopped processing Maine lobster. Who would have guessed that the failures of banks in Iceland would claim as victims the lobstermen in the State of Maine? But that shows how integrated our financial system is worldwide. A lobster dealer in my State said:

This is as devastating to the State of Maine as Hurricane Katrina washing away all the boats and blowing down all the wharves.

Nor is the fallout from the financial crisis confined to our shores. This past weekend, leaders of the G-20 nations who represent 85 percent of the world's economic activity met in Washington to address this crisis. Clearly, we need a coordinated global response to the downturn, but we also must take action to right our own ship. As we close out the 110th Congress and prepare to reconvene for the 111th, we must consider how to protect our financial system from the shortfalls in regulation, reporting, and transparency that helped lay the groundwork for a sudden and traumatic onslaught of bad economic news.

Consider that less than a year ago, the American financial system boasted five huge investment bank holding companies: Bear Stearns, Lehman Brothers, Merrill Lynch, Goldman Sachs, and Morgan Stanley. Today, those institutions no longer exist as we had long known them. They have failed or are being acquired or, as Goldman Sachs and Morgan Stanley demonstrate, have converted themselves to bank holding companies subject to Federal Reserve supervision. What is astonishing, however, is that current Federal law assigns no agency responsibility for supervising these enormous institutions, even though experience has shown their safety and soundness could have vast implications for the financial system and the broader economy. Think about that. Your local credit union, your small community bank is subject to safety and soundness regulations, but these enormous Wall Street financial institutions that arguably have a far greater impact on our economy have not been subject to safety and soundness regulations. Instead, they participated in a completely voluntary program of the Securities and Exchange Commission—a program that was later deemed as inadequate by the SEC Chairman as he canceled it this fall.

My legislation would apply safety and soundness regulation to investment bank holding companies by assigning the Federal Reserve this responsibility. Although the five big firms have left the field, this is a necessary step. Any new investment bank holding company that might be organized would fall into the same regulatory void as its predecessors. The SEC would be able to regulate its broker-dealer operations, but no Federal agency would have the explicit authority to examine its operations for safety and soundness or for systemic risk. The collapses at Bear Stearns and Lehman Brothers illustrate the tremendous hardship that can result under the recent voluntary system.

Federal financial officials have also pointed to a "massive hole" in their ability to monitor and manage systemic risk. That is the rapidly expanded markets in private, over-the-counter contracts known as "credit default swaps." These are contracts that involve paying for protection against

default, loss of value, or another credit event that might affect a financial asset such as a government or corporate bond or a mortgage-backed security.

As government officials and financial experts have pointed out, there is nothing perhaps inherently wrong with such contracts. The problem, however, is that credit default swaps are not traded on regulated exchanges, are not officially reported to our Nation's financial regulators, and are not even subject to recordkeeping requirements. Some are visible to bank examiners who may take them into account when considering a bank's risk exposure and others are summarized in voluntary publications, but that is only a partial glimpse into a market whose total national value has been estimated as high as \$60 trillion.

As the cases of Lehman Brothers and AIG insurance holding company showed this year, serious problems can arise when a major credit event suddenly reveals that massive claims for collateral posting or payment are converging on credit default swap parties who cannot meet their obligations. But under the current system, it is often impossible for regulators and even market participants to know in advance how all the tangled webs of contract commitments overlap and affect any particular party. This leaves regulators unable to take action against excessive debt, inadequate reserves, or other threats.

For example, Bear Stearns had a financial leverage ratio of 35 to 1. In other words, the firm borrowed \$35 for every dollar of its own money. That level of debt financing can generate fabulous profits for shareholders and mind-boggling bonuses for top executives when investments flourish but can whipsaw disastrously if they drop in value. If your equity capital is \$1 and you borrow \$35 more to buy an asset worth \$36 and the value of that asset declines by only \$2, to \$34, you are insolvent.

Although credit default swaps are contracts rather than asset purchases, they can also overwhelm sellers and leave buyers unable to get payment for the protection they thought they had secured. Excessive leverage and excessive risk exposure can combine to ruin even giants such as Lehman Brothers and AIG.

The fallout from such collapses extends far beyond the firms' investors, employers, and business partners—and this is the important point. It would be one thing if the bad decisions made by Wall Street firms only affected those firms, but that is not the case, as we have learned all too well. People in Maine and other Main Street Americans have felt shock and despair in reviewing the statements for their 401(k) accounts. For these people, the fact of their loss is far more important than its cause. But for us who are assigned the role of policymakers, understanding the cause of the problem is

critical if we are to prevent its recurrence.

We now know that a fundamental source of trouble was the lack of effective oversight, of regulation for safety and soundness for the highly leveraged investment bank holding companies. And we know that the second problem is the lack of transparency and coordination in the enormous market for credit default swaps.

My bill would address the second problem in two ways. First, it sets a reporting requirement. For any U.S. entity that buys or sells a credit default swap contract, it must report that fact to the Commodity Futures Trading Commission. This simple step will go a long way to increasing the transparency and allowing us to identify potential risks. Second, my bill would add the force of law to the clearinghouse initiative being jointly pursued by the Federal Reserve Bank of New York, the SEC, and the CFTC.

The clearinghouse, however, should be codified. We can't rely on a voluntary arrangement. The SEC's top risk-management official recommends such a statutory mandate to ensure participation, and that is what my bill would do. As two NYU finance professors wrote in a recent essay for *Forbes*: It is time to "lift the veil" from these derivatives with more reporting and with centralized clearing operations.

Correcting those gaps are important steps toward preventing repetition of the painful financial collapses we have seen. But we must also look in the long term at comprehensive financial reform. The Emergency Economic Stabilization Act that was signed into law last month calls for two reports to advance that goal. One is due in January and one in April. Those will be useful, but I believe our deliberations would benefit from having the advice not only of a small panel on a short deadline and of the new administration but also from a special commission modeled on the one created to examine the terrorist attacks of September 11, 2001. Fortunately, a plan for such a commission exists. It has been developed by my colleagues, Senator LIEBERMAN and Senator CANTWELL, and that has been incorporated into my bill as well.

I believe this issue of restoring confidence to our financial markets through a strong and effective regulatory reform bill is so critical to our Nation—critical for promoting growth and job creation, for protecting retirement savings and public services, for restoring credit to households and small businesses, and for promoting transparency and accountability in financial markets—that we should focus on it in a special session in December.

But regardless of the decisions made by our leadership on that issue, I hope the introduction of the Financial Regulation Reform Act of 2008 will prompt a much-needed debate on the fundamental changes needed to modernize and strengthen our system for monitoring and regulating the immensely

complicated financial markets that supply the lifeblood for growth for our country.

Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mrs. STABENOW). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. WHITEHOUSE. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

VETERANS DAY

Mr. KYL. Madam President, November 11 marked the 54th anniversary of Veterans Day. It is an occasion when we must remember the great debt that we owe veterans and members of the armed services who fight to maintain our freedom around the world. Throughout history, our soldiers have risked their lives to defend our freedom, and we must not forget their sacrifices.

For my State of Arizona, Veterans Day is particularly special because it is home to over 560,000 veterans. Each one has worked to maintain our freedom. Whether as a medic administering aid to a fallen soldier, a soldier rooting out the enemy in a safe house, or a mechanic servicing the military equipment, every veteran played an integral role in our military and thus strengthened our Nation. Our veterans shouldered this great responsibility with courage, dedication and honor. We, as a Nation, cannot forget the countless sacrifices our veterans have made for this country.

Brave men and women in our Armed Forces continue to fight the war against terrorists. It is important to remember that the troops currently working to defeat the terrorists all volunteered for our Nation's military. Young people today are presented with many opportunities when they begin their careers, and many serving in the military could have chosen a more lucrative career that would not put them in harm's way or take them away from their families. This act of selflessness not only underscores the patriotism of our Nation, but also highlights the dedication of our Nation's youth. We should be thankful that so many Americans are willing to serve their Nation, particularly at such a critical and dangerous time.

In the coming year, Congress will be called upon to preserve care and services to our veterans, as well as to support our men and women who are engaged in the missions abroad. We cannot forget those who have given up so much to fight for our Nation, and we will work to ensure that our veterans and soldiers are recognized for their service.

My family and I pay respect to all soldiers who have sacrificed to ensure America remains free, safe, and the symbol of democracy for the world. I